

Agenda Item: 14-3

Meeting Dates: October 13 and 14, 2004

10-YEAR FINANCE PLAN

Summary: California Bay-Delta Authority staff will provide a detailed update on the development of the 10-Year Finance Plan. This will include discussion of preliminary funding targets and allocations.

Recommended Action: This is an informational item only. No action will be taken.

Background

The California Bay-Delta Authority (Authority), with the recommendation and support of the Bay-Delta Public Advisory Committee (BDPAC), has directed staff to develop a specific 10-Year Finance Plan for the CALFED Bay-Delta Program. Authority staff, relying on the foundational information in the Draft Finance Options Report and extensive stakeholder and agency input, intends to present a final 10-Year Finance Plan to the Authority at its November meeting.

The 10-Year Finance Plan will include the following for each Program Element:

- Program summary and history
- Funding targets
- Available funding to meet the targets
- Unmet needs/Funding gaps
- Finance Strategy – finance allocations and funding levels to fill the gaps
- Strategy for evaluation and program review

Since July, Authority staff has been working to develop a finance plan capable of supporting implementation of balanced program activities over the next 10 years.

Initial staff work focused on developing issue papers that describe each Program Element's funding needs/targets, the beneficiaries for each program or projects, and the key finance issues for each program. These papers, vetted extensively in small group discussions with State and Federal agencies, BDPAC subcommittees and ad hoc work groups, served as the focal point for a three-hour discussion at the September BDPAC meeting.

Over the past month, Authority staff has used the draft issues paper to resolve questions about potential allocations and funding targets. Staff is currently meeting with CALFED Program Managers, State and Federal agencies, BDPAC Subcommittees and stakeholders to understand and incorporate their views into preliminary draft straw proposals that lay out – for each Element – the key principles and finance strategy, and a preliminary draft allocation of funding to address unmet needs and reach the funding targets, as well as the remaining outstanding and unresolved issues. (Some Program Elements are likely to have comprehensive straw proposals; others, given either divergent views or critical information gaps, may incorporate only options.) These straw proposals will be provided to the Authority in a supplemental mailing prior to the upcoming meeting.

The Authority staff does not expect to produce a Final Finance Options Report. Though the Draft Options Report has been fundamental in focusing attention on finance issues and providing a technical underpinning to the 10-year effort, discussions with stakeholders and agency representatives suggest there is little merit at this time in revising the 30-year projections included in the Draft Report. Staff is and will continue to address many of the issues raised by the Finance Panel in its work on the 10-Year Finance Plan.

The Authority's October meeting is intended to offer an opportunity for in-depth discussion of and feedback on the preliminary draft straw proposals. Staff expects to revise these preliminary drafts based on comments, additional technical work and further discussions with stakeholder and agency representatives.

Action on a 10-year Finance Plan is not expected until the Authority's November meeting, which is tentatively set for November 17.

Attachment 2 is a letter from the Chair of the Sacramento River Conservation Area Forum expressing concern regarding a proposal to impose user fees or taxes on Northern California water diverters.

List of Attachments

Attachment 1 – 10-Year Finance Plan; Proposed Schedule, Process and Work Products
Attachment 2 – Letter from the Sacramento River Conservation Area Forum

Contact

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**CALFED Bay-Delta Program
10-Year Finance Plan
Proposed Schedule, Process and Work Products
September 2004**

Based on direction from the California Bay-Delta Authority (Authority) and the Bay-Delta Public Advisory Committee (BDPAC) and consistent with advice given by the Finance Plan Independent Review Panel, Authority staff has started to process of working with stakeholders and agencies to develop a 10-year finance plan for the CALFED Program. The proposed Finance Plan, which will be submitted to the Authority in November 2004 will be: (1) based on likely program actions over the next 10 years; (2) informed by agency and stakeholder views and information; and, (3) capable of delivering credible and durable financing mechanisms. The proposed strategy for engaging this issue over the next four months is detailed below. This approach is intended to be responsive to previous stakeholder and agency comments.

Key Meetings, Schedule and Expected Work Products

Below is a synopsis of the key meetings, schedule and expected work products for the next several months. The steps called out below are intended to satisfy two needs: (1) ensure stakeholder and agency representatives are partners in the development of a 10-year plan; and (2) ensure a proposed plan is developed in time to meet fall 2004 budgetary deadlines.

Initial funding targets and unmet funding needs –Draft information will be prepared by Program Element and task including: proposed annual funding targets for a 10-year period, identification of available funding and remaining unmet needs, and preliminary finance strategies that describe the type of finance tools likely to support each Element. (Note: These documents are expected to evolve into the eventual 10-year finance plan.)

- ***June BDA Meeting*** -- Present summary of expected cost estimates, available funding and unmet needs
- ***July 8th BDPAC Meeting*** -- Present updated funding targets and available funding, describe process and schedule, and review preliminary finance strategies as presented at BDA in June.
- ***August 11th & 12th BDA Meeting*** -- Present revised funding targets, discuss preliminary finance strategies, review process and schedule, and highlight issues.
- ***August thru September*** -- Continue to refine the funding targets as part of the development of the Finance Plan.

Finance Plan – A brief description will be developed for each Program Element that lays out: likely activities and associated funding targets; current funding available; likely funding gaps, key issues and options for cost-sharing arrangements to cover the unmet funding needs.

- ***August thru September*** – Meet with agencies, stakeholders and public interests to identify funding issues and to the extent possible reach agreement on cost allocations.

- **September 8-9 BDPAC Meeting** -- Present revised funding targets, unmet needs, funding issues for 11 Program Elements. Discuss key issues.
- **September** – Possible Public Finance meeting/workshop focused on funding targets and cost allocations in preparation for October BDA meeting.
- **October 14th BDA Meeting** -- Present draft preliminary 10-Year Finance Plan. As necessary, discuss remaining gaps/issues.
- **October thru November** – As needed, continue discussion on funding targets and cost allocations if not resolved before the October BDA meeting.
- **November** - For any remaining issues not resolved at the October BDA meeting, a November BDA meeting will be held. Final submittal to the Dept of Finance will be no later than mid-November.

Stakeholder and Agency Involvement

Below is an outline of the proposed approach for ensuring the above work products are informed by extensive stakeholder and agency involvement, insights and information.

Public Workshops

- BDA staff convene public finance workshops to ensure there are cross-cutting discussions with interested stakeholders to review progress and consider Program-wide integration issues.
- Open attendance; materials posted in advance on web; email reminders to those who demonstrated interest in this topic over the past year
- Seek feedback on evolving Finance Plan; not striving for consensus at these meetings

Ad Hoc Involvement

Support and participate in work groups that are interested in discussing the material in greater detail to ensure stakeholder/agency understanding, refine stakeholder/agency input into BDA deliberations and foster a bottoms-up discussion. It is expected that these work groups can and should take on different formats. For example:

- Stakeholder-driven groups such as water user discussions
- Briefings and discussions with standing BDPAC Subcommittees
- BDA initiated discussions with groups such as environmental water caucus.
- BDA convened meetings with agency and stakeholders focused on specific Program Elements and issues.

Legislative Budget and Policy Committees

- Committees have expressed an interest in holding interim hearings on CALFED financing. If scheduled, the hearings are likely to be held in September.

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xc: Keith
Heidi

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conservation area
forum

a voice for all interests

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September 23, 2004

Mr. Gary Hunt
Mr. Patrick Wright
Bay Delta Authority
650 Capitol Mall, 5th Floor
Sacramento, CA 95814

Dear Chairman Hunt and Director Wright:

As an organization created to bring diverse interests together for common solutions in the Sacramento Valley, the Sacramento River Conservation Area Forum (SRCAF) is compelled to express our concern with the recent emphasis on diversion fees and other water user fees to support the CALFED program. The SRCAF was formed as a non-profit organization to oversee the Sacramento River Conservation Area (SRCA) which was established by SB 1086 in 1986 and was later made a part of the ecosystem restoration program in the Record of Decision.

The SRCAF and its Board members have and will continue to support sound efforts to preserve the Sacramento River and the many important uses that rely upon the River. *Landowners within the SCFAF and the greater north valley have made significant contributions to CALFED in order to help meet its goals and objectives.*

We have a great concern regarding a proposal to impose user fees or taxes on Northern California water diverters or users to fund CALFED programs. As you would expect, local support from landowners could be severely damaged if such a tax or fee is imposed. Any lack of support from landowners as a result of the implementation of fees and/or taxes will not only be detrimental to the efforts of CALFED, but will have a significant impact on the SCRAF to continue the beneficial relationship between landowners and the public interest.

To be clear, we strongly believe that the goals in the SRCA handbook and the broader CALFED ecosystem restoration program are in the public interest and should depend upon either public funding or private funding from a willing party. We hope that we can continue to work with you in advancing this important effort.

Sincerely,

Lynnel Pollock, Chair
Sacramento River Conservation Area Forum